

# **FY17 Physical Inventory Procedures**

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## GENERAL

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To comply with governmental accounting standards (GASB 34), and to assure maintenance of accurate fixed asset records, the Finance and Administration Cabinet, Division of Statewide Accounting Services requires an annual physical inventory of fixed assets by all state departments. The accuracy of the fixed asset records is necessary in order for management to demonstrate stewardship and properly insure the property, as well as report accurately the Commonwealth's financial position at year-end through the Comprehensive Annual Financial Report (CAFR). Non-expendable personal property observations are required every year. Every four years (2009, 2013, 2017, etc.), real property is included in the inventory observation. **Both non-expendable personal property and real property is required to be inventoried for Fiscal Year 2017.**

**Both real property and non-expendable personal property is required to be inventoried for Fiscal Year 2017.** The inventory observations and system corrections are to be completed following the procedures described in this document, and the results are to be mailed to Statewide Accounting Services *by May 31, 2017.*

The fixed asset inventory observation of personal property must include the following:

- *Equipment, vehicles, art work, historical treasures valued \$5,000.00 or more,*
- *Software with a cost of \$500,000.00 or more, and*
- *All other intangibles with a cost of at least \$100,000.00.*

The fixed asset inventory observation of real property must include the following:

- *Buildings and Improvements valued \$5,000.00 or more,*
- *Land regardless of cost, and*
- *Easements with a cost of \$100,000.00 or more.*

As in previous years, departments are encouraged to expand the personal property inventory effort to include all items \$500.00 or more in compliance with the FAP 120-20-01 to maintain a comprehensive inventory of fixed assets.

The Division of Statewide Accounting Services has provided a listing of assets to each department via eMARS reports. The reports are located as follows:

Log into eMARS and click on "Search" in the secondary navigation panel.

1. Select eMARS Reporting and log in.
2. Select "Documents", then "Folders" at the bottom left, "Public Folders", "eMARS Financial", "Statewide Reports", and "Fixed Assets Reports".
3. Select the **Fixed Assets - Equipment \$500 or over** report to inventory items \$500 and above, or select **Fixed Assets - Equipment (CAFR)** to meet minimum annual inventory requirements.
4. For real property, select the **Fixed Assets – Real Property (CAFR)** report.
5. For both non-expendable personal property and real property, select **Fixed Assets – All Types (CAFR)**.

If you select the **Fixed Assets - Equipment (CAFR)** or the **Fixed Assets – All Types (CAFR)** report, you are asked to provide the date of your department's last full inventory of personal property (\$500 and above) on the first page.

Once the inventory observation is complete, each department Fiscal Officer is required to provide the following:

- A certification letter signed by the Fiscal Officer and the Property Officer,
- A copy of the report used for the observation (including any comments),
- Any continuation sheets containing items located during inventory which exceed the cost thresholds but were not reflected on the report, and
- The “Inventory Observation Log Sheet” listing all documents processed in eMARS in the course of the inventory observation.

The mailing address is:

**Finance and Administration Cabinet  
Statewide Accounting Services  
ATTN: Jackie Green  
Room 483 Capitol Annex**

## **REAL PROPERTY**

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This year an inventory of Real Property is required. It should be completed by those who normally complete the Real Property closing package. Note the following:

- Departments should tour each installation to observe land, buildings, easements, improvements, and other intangibles.
- Real property which appears to cost \$5,000.00 or more (\$100,000 or more for easements and other intangibles) should be traced to the report. The following fields must be verified for each record: location code, asset name, description, department, unit and asset type. Mark the action column with an “F” (for “Found”) for property observed.
- Real property which appears to meet the capitalization criteria and is not reflected on the report should be added to a continuation sheet. Include a description of the property, asset type and real property number assigned by the Division of Real Property within the Finance and Administration Cabinet. The FA Form should be completed to provide Finance Statewide Accounting Services the information required to add the item to eMARS.
- Real property which cannot be located should be marked with an “M” (for “Missing”). Departments should determine if a Secretary’s order has been obtained approving disposal of the property. A copy of the order will need to be included with the report to Finance, Statewide Accounting Services. The FD Form should be completed to provide Finance Statewide Accounting Services the information required to remove the item from eMARS.
- Please complete the FT form for real property that needs to be transferred to a different responsibility center and the FM form for real property that needs corrections to the description, sublocation, or custodial fields.

Only Finance Statewide Accounting Services processes documents related to Real Property. Please complete the attached forms for any FA, FD, FT, FI, or FM documents that need to be entered for Real Property and return with your packet.

## PLANNING

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Planning the inventory effort will help insure that the overall goal is met. Depending on the size of the department, a physical inventory of fixed assets can be a major undertaking; therefore, everyone's help and cooperation should be solicited. Each department should schedule planning meetings to include all levels of management (directors, managers and supervisors). At a minimum, the planning meeting should include a review of the project, establishment of a time frame for its completion, and proposed procedures for each phase of the project.

The phases should include:

- Cleanup of the Document Catalog in eMARS,
- Conducting the inventory at each location,
- Reconciliation of the physical inventory, and data entry of system updates, based on the reconciliation.

Follow up meetings should be held to assess overall progress and problem areas.

Assign the appropriate number of individuals to the task, in order to meet the project deadline. If employees from other areas are to be used, ensure they are adequately instructed prior to the actual inventory observation. *At a minimum, departments should instruct personnel on procedures to be followed when an asset cannot be located or when located items are not on the report. (See later sections of this document.)*

Schedule the specific week(s) that the fixed asset inventory will be conducted. Once the schedule is set, completion of the inventory should be the top priority of assigned personnel. All efforts should be directed at starting and finishing the fixed asset inventory in a timely manner.

## COMMUNICATION

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It is important to communicate the inventory plans to all affected, including:

- ***The Auditor of Public Accounts*** – Notify the APA, *at least 10 days in advance*, of the dates and locations for the physical inventory so that a representative of that office may be present to observe your inventory procedures. Any agency failing to provide sufficient notification may have additional audit procedures, such as scheduling auditor recounts. Be sure to include your department's APA contact (and include the form provided on page 9).
- ***Department heads in all locations*** – Notify the responsible department head by location of the inventory dates. Provide advance notice so that arrangements can be made for entrance to each facility for inventory purposes. The responsible department head can serve as a good source of information, or can identify the person most familiar with equipment. This is especially true when inventories involve custom built items, lab components or specialized equipment.
- ***Department personnel in all locations*** – Communicate to all department personnel that the physical movement of fixed assets should be frozen during the inventory observation, including disposals.

## PHYSICAL INVENTORY OBSERVATION PHASES

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As previously mentioned, the phases to the physical inventory observation should include the following:

- I. Cleanup of the Document Catalog in eMARS,
- II. Conducting the inventory at each location,
- III. Reconciliation and data entry of system updates.

This document describes each phase, including suggested target dates for completion.

### I. Cleanup of the Document Catalog in eMARS

Target Date: 3/31/2017

Prior to printing the inventory listing using one of the reports in eMARS Reporting, it is highly recommended that each department review all transactions on the Document Catalog and process as many as possible. This will help to ensure that the reports are as complete as possible.

### II. Conduct the Inventory at Each Location

Target Date: 4/28/2017

#### A. Print the Inventory Report

For Fiscal Year 2017, departments have the option of using the inventory listings provided on either of four reports available in eMARS:

- **Fixed Assets - Equipment \$500 or over** – This report may be used to inventory all items valued at over \$500 to comply with **FAP 120-20-01**, which specifies that each budget unit maintain a current fixed asset record of all fixed assets.
- **Fixed Assets - Equipment (CAFR)** – This report may be used to meet the minimum annual fixed assets inventory observation requirements in compliance with governmental accounting standards (**GASB 34**) and in preparation for the **Comprehensive Annual Financial Report (CAFR)**. This report reflects equipment, vehicles, art work, and historical treasures when the unit cost is \$5,000.00 or more, software valued at \$500,000.00 or more, and other intangibles with a cost of \$100,000.00 or more.
- **Fixed Assets – Real Property (CAFR)** – This report may be used to inventory all Real Property meeting the fixed asset criteria for reporting in the CAFR.
- **Fixed Assets – All Types (CAFR)** – This report may be used to inventory all fixed assets (equipment and real property) meeting the criteria for CAFR reporting.

For Fiscal Year 2017, you will either submit one of the first two reports **and** the third report or the last report only. Departments needing the data in these reports to be ordered differently may develop intermediate reports or export the data to Microsoft Excel and sort it differently, but these intermediate reports should not be submitted as part of the inventory observation. Departments should keep them for audit purposes.

***You must use the reports listed above for submission of the inventory observation results.*** If intermediate reports are used to collect inventory information, all results and comments must be transferred to the approved eMARS reports before the inventory observation is submitted to the Division of Statewide Accounting Services.

## B. Completing the Inventory Report

For each item appearing on the report, the inventory officer must verify data in all columns and indicate any corrections in the Action and Comments columns as follows:

- **Department, Unit, Location, Asset Type, FA Number, Description, Serial Number, etc.** – Write any required corrections in each row, and provide clarification in the **Comments** column. Document(s) for non-expendable personal property should later be completed in eMARS to record the corrections to the data fields, with the Document Numbers listed on the log sheet. (See the “DATA ENTRY IN eMARS” section of this document.) The appropriate form (see attached for forms by document type) should be completed for any real property corrections. **All documents related to real property will be entered by Finance Statewide Accounting Services.**
- **Action** – Use this column to record whether or not the asset was observed:
  1. Place an “F” (for “Found”) in the column if the asset was located.
  2. Place an “M” (for “Missing”) in the column if the asset could not be located. Before leaving the inventory site, make every effort to locate missing items. Talk to the custodian, if one is shown on the listing and document their knowledge of the asset’s location. Review the list with management at that location, to determine their knowledge of the missing assets. **Document reason in the Comments section.**
  3. Place an “A” (for “Add”) in the column (or on a continuation sheet), if the asset appears to cost \$5,000.00 or more but is not shown on the listing or is shown with a lower value.
- **Comments** – Use this column as needed to record other relevant observations pertaining to the item.

Inventory officers should create continuation sheets as needed to record observed items appearing to cost \$5,000.00 or more but not reflected on the report.

## C. Items Located But Not On Report

When conducting the inventory you may find assets at the location which do not appear on the fixed asset listing. This could occur if:

- The asset has never been entered in eMARS,
- The asset is in eMARS under a different location,
- The asset document is on the Document Catalog but is not in final status, or
- The asset has been entered in eMARS with a value of less than \$5,000.



When non-expendable personal property is found at a location but does not appear on the report, the following steps should be taken:

1. Review all Fixed Asset documents for your department on the Document Catalog with a status other than “Final” to ensure that a document has not already been prepared for the asset. If the fixed asset document is found on the Document Catalog, complete the

document and submit it to "Final" status. If no document is found continue to the next step.

2. Search by Serial Number. Go to "Page Search" in eMARS and enter **FARCOMP** in the Page Code field. Select **Fixed Asset Registry Component (FARCOMP)** by clicking on it. On the **FARCOMP** page, select **Search**, enter the Serial Number of the asset, and click **Browse**. If the asset is found, take the appropriate corrective action by completing a transfer (**FT**) document for the asset to reflect the correct Responsible Department, or a modification (**FM**) document to correct the Sub Location if non-expendable personal property or completing the appropriate form (**FT or FM**) if real property. Be sure to contact any other inventory officers affected by these changes so they will not be searching for an asset appearing on their report which has been found at your location.
3. Search for the asset in eMARS by Fixed Asset Number. Use the **FARHDR** table and the **FARCOMP** table as described in step 2. It is possible that even though the item appears to have a value of \$5,000.00 or more, it actually cost less than \$5,000.00 and was correctly omitted from your list.

If after completing the above tasks you still are unable to locate the asset in eMARS, you must prepare a **FA** document to record the fixed asset if non expendable personal property or complete the **FA** form included if real property. All documents ("FA", "FM", "FD" and "FT") prepared as a result of this inventory, must have a document ID of **17IN** with auto document number invoked (see insert below). In addition, all information regarding the asset should be added to the report provided to you, or to a continuation sheet and the Inventory Log Sheet with the document ID number.

Document Catalog			
<a href="#">Search</a> 			
▼ Document Identifier			
Code :	FA 	Unit :	D758
Dept. :	758	ID :	17IN
▼ Other Options			
Auto Numbering :		<input checked="" type="checkbox"/>	
Create Template :		<input type="checkbox"/>	
<a href="#">Create</a>			
<a href="#">Menu</a>			

## D. Items On Report But Not Located

It is possible that assets appear on the inventory report but cannot be located. This could occur if:

- The asset is at a different location than that indicated in eMARS,
- The asset has been disposed of, and/or
- The asset has been stolen or lost.

Should personal property appear on the report that cannot be located, take the following steps:

1. Review **FD** and **FT** documents on the Document Catalog in a status other than “Final”. It is possible the asset has been disposed of (via **FD**) or transferred (via **FT**) and the document is not yet submitted or approved. If a document is found for the asset in question, any necessary corrections should be made so that the document will post.
2. Determine if the asset is at another location. This asset may be one that an inventory officer at another location has found which does not appear on the report for that location. Therefore, review the continuation sheet of other locations for your department. If this asset was found at another location complete an **FM** document to record the location change.
3. This asset may have been transferred to another state department through an official reorganization and your department has not updated their records. Therefore, search by serial number using the eMARS **FARCOMP** table. You can search this table by going to page search and entering **FARCOMP** in the Page Code field. Enter the serial number in the field provided and click **OK**. This will provide you with a listing of all assets with that serial number, related description(s) and tag number(s). In the event this has occurred, process **FD** documents to correct the system.
4. Review the comment column of the inventory listing to see if it was determined through the inventory observation that this asset was disposed. If so, an **FD** document must be prepared in eMARS to update the Fixed Asset records if non-expendable personal property or the **FD** form should be completed if real property. Also, determine if the Division of Surplus Property, within the Finance Cabinet needs to approve the disposition method.
5. If the asset has been lost, documentation should be maintained explaining the loss, as the facts are known. If it has been determined that the item has been stolen, the theft should be reported to the police.

If it is determined that any of the above situations have occurred you must prepare the document(s) necessary to remove the item from eMARS and/or correct the information in eMARS. All documents (**FA**, **FM**, **FD** or **FT**) prepared, as a result of this inventory, must have a document ID of **17IN** with “Auto Document Numbering” invoked. In addition, all information regarding the asset should be added to the inventory document log provided by the Finance Cabinet. This form is shown on page 10.

**Uploadable Spreadsheets for Mass Changes** - Don't forget there are uploadable spreadsheets available for **FA**, **FM**, **FT**, or **FD** documents where the number of documents exceeds 200. The uploaded spreadsheets can be found at:

<http://finance.ky.gov/services/statewideacct/Pages/FixedAssetDocumentUploads.aspx>



The training manual for entering fixed asset documents in eMARS can be found at:  
<http://finance.ky.gov/services/statewideacct/Pages/eMARS-3.10-Materials-and-Tutorials.aspx>

After completing your inventory observation you must have accounted for every asset on the report. Any additional assets found should be added to the bottom of the report or on a continuation sheet.

### III. Reconciliation and Data Entry

Target Date: 5/31/2017

**Equipment Inventory Only.** Once the physical inventory observation has been completed, the results as noted in the **Action** and **Comments** columns of the report should be reconciled to the eMARS system by processing any necessary documents to record those updates. The document number should be written on the inventory report or continuation sheet (in the **Comments** column) as well as on the "Inventory Observation Log Sheet" (see page 10).

**Real Property Inventory Only.** Once the physical inventory observation has been completed, the results as noted in the **Action** and **Comments** columns of the report should be reconciled to the forms completed to record those updates. The document type should be written on the inventory report or continuation sheet (in the **Comments** column) as well as on the "Inventory Observation Log Sheet" (see page 10).

### CONTACT INFORMATION

If you have questions or concerns about the inventory please contact Statewide Accounting Services:

Jackie Green 502-564-8790 E-mail: <mailto:jackie.green@ky.gov>

Please provide the information below for each site at which a physical inventory of fixed assets will be conducted. Return the completed form **at least 10 days before the physical inventory is to be conducted** to the following street or E-mail address:

Auditor of Public Accounts  
ATTN: Josh Winfrey, AIC  
209 St Clair Street  
Frankfort, KY 40601

502-564-5841 E-mail: <mailto:josh.winfrey@ky.gov>

DATE	TIME	CONTACT PERSON	PHONE	LOCATION

